

**REPORT OF AUDIT**  
**BOROUGH OF FRANKLIN**  
**COUNTY OF SUSSEX**  
**DECEMBER 31, 2015**

**BOROUGH OF FRANKLIN, N.J.**  
**YEAR ENDED DECEMBER 31, 2015**  
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**BOROUGH OF FRANKLIN**

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**PART I**

**REPORT OF AUDIT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY DATA  
YEAR ENDED DECEMBER 31, 2015**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and  
Members of the Borough Council  
Borough of Franklin  
Franklin, New Jersey 07416

### **Report on the Financial Statements**

We have audited the accompanying balance sheets - regulatory basis of the various funds and account group of the Borough of Franklin in the County of Sussex, as of December 31, 2015 and 2014, the related statement of operations and changes in fund balance - regulatory basis for the years then ended, and the related statement of revenues - regulatory basis and statement of expenditures - regulatory basis of the various funds for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Borough's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division"), and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.



Honorable Mayor and  
Members of the Borough Council  
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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

*Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles*

As described in Note 1 of the financial statements, the financial statements are prepared by the Borough of Franklin on the basis of the financial reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of New Jersey.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

*Adverse Opinion on U.S. Generally Accepted Accounting Principles*

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the Borough of Franklin as of December 31, 2015 and 2014, or changes in financial position for the years then ended.

*Basis for Qualified Opinion on Regulatory Basis Accounting Principles*

We are unable to obtain sufficient evidence to support the cost of fixed assets. As more fully describe in Note 1, due to the length of time over which these fixed assets were acquired, it is not practical to determine their actual costs. We are, therefore, unable to express an opinion as to the general fixed assets account group at December 31, 2015 and 2014, stated as \$10,330,559.00 and \$5,729,589.00, respectively.





***Qualified Opinion on Regulatory Basis of Accounting***

In our opinion, except for the effects of the matter described in “Basis for Qualified Opinion on Regulatory Basis Accounting Principles” paragraph, the financial statements referred to above present fairly, in all material respects, the regulatory basis balances sheets as of December 31, 2015 and 2014, the regulatory basis statements of operations for the years then ended and the regulatory basis statements of revenues and expenditures for the year ended December 31, 2015 in accordance with the basis of financial reporting prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey as described in Note 1.

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Borough of Franklin’s basic financial statements. The supplementary information listed in the table of contents and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information listed in the table of contents are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The letter of comments and recommendations section has not been subject to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Honorable Mayor and  
Members of the Borough Council  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated May 16, 2016 on our consideration of the Borough of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Borough of Franklin's internal control over financial reporting and compliance.



Thomas M. Ferry, C.P.A.  
Registered Municipal Accountant  
No. 497

*Ferraioli, Wielkottz, Cerullo & Cuva, PA*  
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.  
*Certified Public Accountants*

Newton, New Jersey

May 16, 2016

**Borough of Franklin, N.J.**

**Comparative Balance Sheet - Regulatory Basis**

**Current Fund**

**December 31,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Current Fund:			
Cash	A-4	3,227,438.59	2,724,627.87
Change Fund	A-5	500.00	500.00
		<u>3,227,938.59</u>	<u>2,725,127.87</u>
Receivables and Other Assets with Full Reserves:			
Delinquent Taxes Receivable	A-6	375,852.40	342,748.66
Tax Title Liens Receivable	A-7	25,241.03	68,506.17
Property Acquired for Taxes - Assessed Valuation	A-8	347,100.00	61,500.00
		<u>748,193.43</u>	<u>472,754.83</u>
Deferred Charges:			
Special Emergency Authorizations	A-13	15,000.00	24,000.00
		<u>3,991,132.02</u>	<u>3,221,882.70</u>
Federal and State Grant Fund:			
Interfund Receivables - Current Fund	A-20	97,083.55	88,538.11
Grants Receivable	A-22	5,000.00	
		<u>102,083.55</u>	<u>88,538.11</u>
		<u>4,093,215.57</u>	<u>3,310,420.81</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

**Comparative Balance Sheet - Regulatory Basis**

**Current Fund**

**December 31,**

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Current Fund:			
Appropriation Reserves:			
Unencumbered	A-3;A-12	651,874.70	642,521.54
Encumbered	A-3;A-12	<u>56,618.07</u>	<u>50,903.02</u>
Total Appropriation Reserves		708,492.77	693,424.56
Due To State of New Jersey:			
Senior Citizen and Veteran Deductions	A-10	18,946.72	16,196.72
Interfunds Payable:			
Federal and State Grant Fund	A-11	97,083.55	88,538.11
Tax Overpayments	A-14	750.00	
Reserve for:			
Revision of Master Plan	A-14	17,329.62	28,979.82
Sale of Municipal Assets	A-14	545.60	545.60
Revision of Tax Maps	A-14	1,375.00	1,375.00
Tax Appeals	A-14	128,361.77	243,000.00
Encumbrances Payable - Various Reserves	A-15	4,584.32	4,796.92
Prepaid Taxes	A-16	96,130.03	53,040.20
County Taxes Payable	A-17	<u>18,807.25</u>	<u>5,720.45</u>
		<u>1,092,406.63</u>	<u>1,135,617.38</u>
Reserve for Receivables	Contra	748,193.43	472,754.83
Fund Balance	A-1	<u>2,150,531.96</u>	<u>1,613,510.49</u>
		<u>3,991,132.02</u>	<u>3,221,882.70</u>
Federal and State Grant Fund:			
Encumbrances Payable	A-21	3,426.06	3,791.62
Appropriated Reserve for Grants	A-23	67,011.90	55,436.20
Unappropriated Reserve for Grants	A-24	<u>31,645.59</u>	<u>29,310.29</u>
		<u>102,083.55</u>	<u>88,538.11</u>
		<u>4,093,215.57</u>	<u>3,310,420.81</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Franklin, N.J.

## Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

## Current Fund

Years Ended December 31,

	Ref.	2015	2014
<b>Revenues and Other Income:</b>			
Fund Balance Utilized	A-2	151,360.00	74,000.00
Miscellaneous Revenue Anticipated	A-2	1,112,913.84	1,344,475.16
Receipts from Delinquent Taxes	A-2	307,019.21	289,613.23
Receipts from Current Taxes	A-2	13,792,410.76	13,363,300.58
Non-Budget Revenue	A-2	68,716.34	69,664.98
<b>Other Credits to Income:</b>			
Grants Cancelled			228.98
Unexpended Balance of Appropriation Reserves	A-12	488,362.15	520,429.13
Cancellation of Tax Overpayments			200.00
<b>Total Revenues and Other Income</b>		<u>15,920,782.30</u>	<u>15,661,912.06</u>
<b>Expenditures:</b>			
<b>Budget and Emergency Appropriations:</b>			
<b>Operations - Within Caps:</b>			
Salaries and Wages	A-3	2,505,170.00	2,537,010.00
Other Expenses	A-3	2,007,637.00	1,988,975.00
<b>Deferred Charges and Statutory Expenditures -</b>			
Municipal - Within Caps	A-3	552,757.00	514,571.00
<b>Operations - Excluded From CAPS:</b>			
Salaries and Wages	A-3	132,689.00	14,565.00
Other Expenses	A-3	237,794.29	415,321.19
Capital Improvements - Excluded from Caps	A-3	182,100.00	186,100.00
Municipal Debt Service - Excluded from Caps	A-3	329,040.84	299,798.24
<b>Deferred Charges and Statutory Expenditures -</b>			
Municipal - Excluded from Caps	A-3	18,309.00	49,699.24
County Taxes including Added Taxes	A-17	2,177,254.70	2,109,101.17
Local District School Tax	A-18	4,900,435.00	4,696,438.00
Regional High School Tax	A-19	2,189,214.00	2,218,228.00
<b>Total Expenditures</b>		<u>15,232,400.83</u>	<u>15,029,806.84</u>
<b>Statutory Excess to Fund Balance</b>		688,381.47	632,105.22
<b>Fund Balance, January 1,</b>	A	<u>1,613,510.49</u>	<u>1,055,405.27</u>
		2,301,891.96	1,687,510.49
<b>Fund Balance Utilized as Budget Revenue</b>	A-1	<u>151,360.00</u>	<u>74,000.00</u>
<b>Fund Balance, December 31,</b>	A	<u>2,150,531.96</u>	<u>1,613,510.49</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

## Borough of Franklin, N.J.

## Statement of Revenues - Regulatory Basis

## Current Fund

Year Ended December 31, 2015

	Ref.	Budget	Special N.J.S. 40A:4-87	Realized	Excess or (Deficit)
Fund Balance Anticipated	A-1	151,360.00		151,360.00	
Miscellaneous Revenues:					
Licenses:					
Alcoholic Beverages	A-9	10,505.00		10,609.50	104.50
Other	A-9	9,055.00		10,502.00	1,447.00
Fees and Permits	A-9	18,228.00		16,586.95	(1,641.05)
Fines and Costs:					
Municipal Court	A-9	171,900.00		137,858.32	(34,041.68)
Interest and Costs on Taxes	A-9	65,900.00		72,013.20	6,113.20
Interest on Investments and Deposits	A-9	9,085.00		10,102.43	1,017.43
Cable TV Franchise Fee	A-9	16,972.00		16,972.00	
Energy Receipts Tax	A-9	607,671.00		607,671.00	
Watershed Moratorium Offset Aid	A-9	4,089.00		4,089.00	
Garden State Trust	A-9	7,929.00		7,929.00	
Concetta Towers - In Lieu of Taxes	A-9	15,000.00		15,000.00	
Beverly Hills - Solid Waste Collection	A-9	40,824.00		40,824.00	
Rent Senior Center	A-9	24,977.00		24,977.84	0.84
Antenna Lease Contract	A-9	26,960.00		27,071.89	111.89
Municipal Service Fee	A-9	58,968.00		58,968.00	
Special Items of General Revenue Anticipated With Prior Written Consent of Director of Local Government Services					
Shared Services:					
Sussex County Finance Assistant	A-9	7,429.00		7,428.42	(0.58)
Public and Private Revenues:					
Clean Communities Program	A-22	10,021.68		10,021.68	
Drunk Driving Enforcement	A-22	4,287.55		4,287.55	
Alcohol Education and Rehabilitation	A-22	1,831.48		1,831.48	
Body Armor Grant	A-22	2,277.22		2,277.22	
Recycling Tonnage Grant	A-22	10,892.36		10,892.36	
Drive Sober or Get Pulled Over	A-22		10,000.00	10,000.00	
Distracted Driver Grant	A-22		5,000.00	5,000.00	
Total Miscellaneous Revenues	A-1	1,124,802.29	15,000.00	1,112,913.84	(26,888.45)
Receipts from Delinquent Taxes	A-1;A-2	307,800.00		307,019.21	(780.79)
Subtotal General Revenues		1,583,962.29	15,000.00	1,571,293.05	(27,669.24)
Amount to be Raised by Taxes for Support of Municipal Budget-Local Tax Including Reserve for Uncollected Taxes	A-2	4,742,292.00		4,901,255.06	158,963.06
Budget Totals		6,326,254.29	15,000.00	6,472,548.11	131,293.82
Non-Budget Revenue	A-1;A-2			68,716.34	68,716.34
		6,326,254.29	15,000.00	6,541,264.45	200,010.16
		A-3	A-3		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.  
Statement of Revenues - Regulatory Basis

Current Fund

Year Ended December 31, 2015

<u>Analysis of Realized Revenues</u>	<u>Ref.</u>	
Revenue from Collections	A-1;A-6	13,792,410.76
Less:		
Allocated to School and County Taxes	A-6	<u>9,266,903.70</u>
Balance for Support of Municipal Budget Appropriations		4,525,507.06
Add : Appropriation - Reserve for Uncollected Taxes	A-3	<u>375,748.00</u>
Amount for Support of Municipal Budget Appropriations	A-2	<u><u>4,901,255.06</u></u>
Receipts from Delinquent Taxes:		
Delinquent Taxes		
Taxes Receivable	A-6	297,774.27
Tax Title Lien Receivable	A-7	<u>9,244.94</u>
	A-2	<u><u>307,019.21</u></u>
 <u>Analysis of Non-budget Revenues</u>	 <u>Ref.</u>	
Miscellaneous Revenues Not Anticipated:		
Revenues Accounts Receivable:		
Tax Collector	A-9	175.00
Planning/Zoning	A-9	<u>11,112.38</u>
		11,287.38
Sale of Municipal Property		11,966.50
Veterans & Senior Citizens Administration Fee		965.00
Senior Housing PILOT		38,762.40
Rent - Senior Center		2,044.20
O/S Police - Use of Car/Admin Fees		2,679.11
State Motor Vehicle Inspection Fees		450.00
Various Refunds and Miscellaneous		<u>561.75</u>
	A-4	<u>57,428.96</u>
	A-2	<u><u>68,716.34</u></u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Operations - within "CAPS"						
General Government:						
Administrative and Executive						
Salaries and Wages		172,000.00	172,000.00	157,348.99	14,651.01	
Other Expenses		55,850.00	55,850.00	25,788.10	30,061.90	
Municipal Clerk		3,500.00	3,500.00	2,891.34	608.66	
Elections						
Financial Administration		105,800.00	105,800.00	105,274.98	525.02	
Salaries and Wages		16,351.00	16,351.00	13,835.72	2,515.28	
Other Expenses		15,900.00	15,900.00	10,700.00	5,200.00	
Audit Services						
Assessment of Taxes		46,500.00	46,500.00	43,422.71	3,077.29	
Salaries and Wages		8,050.00	8,050.00	7,673.46	376.54	
Other Expenses						
Collection of Taxes		21,000.00	21,000.00	20,450.02	549.98	
Salaries and Wages		10,260.00	10,260.00	6,991.18	3,268.82	
Other Expenses						
Legal Services and Costs:		108,000.00	108,000.00	100,902.11	7,097.89	
Other Expenses						
Engineering Services and Costs		21,000.00	21,000.00	7,179.52	13,820.48	
Other Expenses						

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.



Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Land Use						
Salaries and Wages		68,200.00	68,200.00	63,322.70	4,877.30	
Planning Board						
Other Expenses		13,600.00	13,600.00	8,692.26	4,907.74	
Economic Development						
Other Expenses		2,000.00	2,000.00	303.00	1,697.00	
Zoning Board						
Other Expenses		11,950.00	11,950.00	2,090.94	9,859.06	
Public Safety:						
Police						
Salaries and Wages		1,594,430.00	1,594,430.00	1,397,562.60	196,867.40	
Other Expenses		92,576.00	92,576.00	62,810.38	29,765.62	
Crossing Guard						
Salaries and Wages		61,140.00	61,140.00	61,137.25	2.75	
Other Expenses		600.00	600.00		600.00	
Emergency Management						
Salaries and Wages		2,250.00	2,250.00	2,250.00		
Other Expenses		500.00	500.00		500.00	
Fire						
Other Expenses		60,170.00	60,170.00	44,280.32	15,889.68	
First Aid Organization - Contribution		18,050.00	18,050.00	12,697.64	5,352.36	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Municipal Court		19,000.00	19,000.00	17,985.70	1,014.30	
Prosecutor		1,000.00	1,000.00		1,000.00	
Municipal Public Defender						
Public Buildings and Grounds		117,250.00	117,250.00	78,815.97	38,434.03	
Other Expenses						
Streets and Roads:						
Road Repairs and Maintenance		375,550.00	375,550.00	321,928.76	53,621.24	
Salaries and Wages		174,400.00	174,400.00	152,406.49	21,993.51	
Other Expenses						
Health and Welfare:						
Board of Health		1,500.00	1,500.00	1,350.00	150.00	
Salaries and Wages		700.00	700.00	280.98	419.02	
Other Expenses						
H.B.V. Vaccination		1,250.00	1,250.00	360.00	890.00	
Other Expenses		650.00	650.00	611.68	38.32	
Contribution to Senior Citizen Ctr.						
Recreation and Education		1,500.00	1,500.00	1,000.00	500.00	
Salaries and Wages		9,180.00	9,180.00	3,790.67	5,389.33	
Other Expenses						
Utility Expense:		50,000.00	50,000.00	38,980.81	11,019.19	
Street Lighting		27,000.00	27,000.00	25,529.20	1,470.80	
Utility Bulk - Telephone						

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Unexpended Balance Cancelled
<u>General Appropriations</u>						
Postage		2,700.00	2,700.00	1,772.84	927.16	
Gasoline and Oil		63,000.00	63,000.00	28,144.13	34,855.87	
Insurance		93,564.00	93,564.00	93,360.00	204.00	
Other Insurance Premiums		109,836.00	109,836.00	109,836.00		
Workers Compensation		453,000.00	453,000.00	416,890.21	36,109.79	
Group Insurance Plan		25,000.00	25,000.00	7,758.98	17,241.02	
Unemployment Compensation		6,250.00	6,250.00	6,250.00		
Health Benefit Waiver						
Zoning Official		55,300.00	55,300.00	47,261.55	8,038.45	
Salaries and Wages		1,800.00	1,800.00	1,521.67	278.33	
Other Expenses		10,000.00	10,000.00	10,000.00		
Reserve for Accrued Sick Time		1,100.00	1,100.00	1,100.00		
Fixed Assets Accounting System		390,600.00	390,600.00	387,560.88	3,039.12	
Solid Waste Contract		12,000.00	12,000.00	10,554.98	1,445.02	
Network Maintenance Agreement		4,512,807.00	4,512,807.00	3,922,656.72	590,150.28	
Total Operations {Item 8 (A)} Within "CAPS"		<u>4,512,807.00</u>	<u>4,512,807.00</u>	<u>3,922,656.72</u>	<u>590,150.28</u>	
B. Contingent		<u>4,512,807.00</u>	<u>4,512,807.00</u>	<u>3,922,656.72</u>	<u>590,150.28</u>	
Total Operations Including Contingent- Within "CAPS"						
Detail:						
Salaries and Wages	A-1	2,505,170.00	2,505,170.00	2,222,309.56	282,860.44	
Other Expenses (Including Contingent)	A-1	<u>2,007,637.00</u>	<u>2,007,637.00</u>	<u>1,700,347.16</u>	<u>307,289.84</u>	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Deferred Charges and Statutory Expenditures-Within "CAPS"						
Municipal Within "CAPS"						
Statutory Expenditures						
Contribution to:						
Public Employees' Retirement System		78,805.00	78,805.00	78,805.00		
Social Security System (O.A.S.I.)		201,000.00	201,000.00	173,593.47	27,406.53	
Defined Contribution Retirement Program		900.00	900.00	776.43	123.57	
Police and Firemans Retirement System		272,052.00	272,052.00	272,052.00		
Total Deferred Charged and Statutory Expenditures - Municipal within "CAPS"	A-1	552,757.00	552,757.00	525,226.90	27,530.10	
Total General Appropriations for Municipal Purposes within "CAPS"		5,065,564.00	5,065,564.00	4,447,883.62	617,680.38	
Operations - Excluded From "CAPS"						
Municipal Court:		125,260.00	125,260.00	119,643.93	5,616.07	
Salaries and Wages		8,800.00	8,800.00	5,641.22	3,158.78	
Other Expenses		10,000.00	10,000.00	10,000.00		
Refund of Tax Appeals		144,060.00	144,060.00	135,285.15	8,774.85	
Total Other Operations - Excluded From Caps						
Shared Service Agreements						
Township of Sparta		30,259.60	30,259.60	30,259.60		
Other Expenses - Fire						

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Other Expenses - Police		28,530.48	28,530.48	28,530.48		
Other Expenses - EMS		27,665.92	27,665.92	27,665.92		
Township of Hardyston						
Municipal Drug Alliance		2,350.00	2,350.00	2,338.50	11.50	
Construction Office		61,100.00	61,100.00		61,100.00	
Joint Community Center		24,778.00	24,778.00	24,292.00	486.00	
Sussex County - Financial Assistant						
Salaries and Wages		7,429.00	7,429.00	7,429.00		
Total Interlocal Municipal Service Agreements		182,113.00	182,113.00	120,515.50	61,597.50	
Public and Private Programs Offset By Revenues						
Clean Communities Grant						
Other Expenses		10,021.68	10,021.68	10,021.68		
Body Armor Grant						
Other Expenses		2,277.22	2,277.22	2,277.22		
Recycling State Grant						
Other Expenses		10,892.36	10,892.36	10,892.36		
Alcohol Rehab Fund						
Other Expenses		1,831.48	1,831.48	1,831.48		
Drive Sober or Get Pulled Over Grant						
Other Expenses		10,000.00	10,000.00	10,000.00		
Drunk Driving Enforcement Fun						
Other Expenses		4,287.55	4,287.55	4,287.55		

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>General Appropriations</u>						
Distracted Driver Grant		5,000.00	5,000.00	5,000.00		
Other Expenses						
Total Public and Private Programs Offset		44,310.29	44,310.29	44,310.29		
By Revenues						
		370,483.29	370,483.29	300,110.94	70,372.35	
Total Operations - Excluded from "CAPS"						
Detail:						
Salaries and Wages	A-1	132,689.00	132,689.00	127,072.93	5,616.07	
Other Expenses	A-1	237,794.29	237,794.29	173,038.01	64,756.28	
Capital Improvements - Excluded From "CAPS"						
Capital Improvement Fund		45,000.00	45,000.00	45,000.00		
Purchase of Police Equipment		44,000.00	44,000.00	44,000.00		
Purchase of Office Equipment		7,500.00	7,500.00	7,500.00		
Purchase of Fire Equipment		30,600.00	30,600.00	17,130.55	13,469.45	
Improvements to Streets and Roads		20,000.00	20,000.00	20,000.00		
Improvement to Municipal Property		25,000.00	25,000.00	18,029.41	6,970.59	
Purchase of EMS Equipment		10,000.00	10,000.00	10,000.00		
Total Capital Improvements Excluded from "CAPS"	A-1	182,100.00	182,100.00	161,659.96	20,440.04	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

		Current Fund				Unexpended
		Year Ended December 31, 2015				Balance
	Ref.	Budget	Budget After Modification	Paid or Charged	Reserved	Cancelled
<u>General Appropriations</u>						
Municipal Debt Service - Excluded From "CAPS"		307,850.00	307,850.00	307,850.00		9.16
Payment of Bond Anticipation Notes and Capital Notes Interest on Notes		21,200.00	21,200.00	21,190.84		9.16
Total Municipal Debt Service-Excluded from "CAPS"	A-1	329,050.00	329,050.00	329,040.84		9.16
Deferred Charges - Municipal - Excluded From "CAPS"						
(1) Deferred Charges:						
Special Emergency Authorizations - 5 Years (N.J.S. 40A:4-55)		9,000.00	9,000.00	9,000.00		
Deferred Charges to Future Taxation Unfunded: Ord. # 06-11		9,309.00	9,309.00	9,309.00		
Total Deferred Charges - Municipal - Excluded From "CAPS"	A-1	18,309.00	18,309.00	18,309.00		
Total General Appropriations for Municipal Purposes Excluded from "CAPS"		899,942.29	899,942.29	809,120.74	90,812.39	9.16
Subtotal General Appropriations						
Reserve for Uncollected Taxes		5,965,506.29	5,965,506.29	5,257,004.36	708,492.77	9.16
Total General Appropriations		375,748.00	375,748.00	375,748.00		
		6,341,254.29	6,341,254.29	5,632,752.36	708,492.77	9.16

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

Borough of Franklin, N.J.

Statement of Expenditures - Regulatory Basis

Current Fund

Year Ended December 31, 2015

<u>General Appropriations</u>	<u>Ref.</u>	<u>Budget</u>	<u>Budget After Modification</u>	<u>Paid or Charged</u>	<u>Reserved</u>	<u>Unexpended Balance Cancelled</u>
<u>Analysis of Budget After Modification</u>						
Adopted Budget	A-2		6,326,254.29			
Added by N.J.S.A 40A:4-87	A-2		15,000.00			
			<u>6,341,254.29</u>			
<u>Analysis of Paid or Charged</u>						
Reserve for Uncollected Taxes	A-2			375,748.00		
Cash Disbursements	A-4			5,193,694.07		
Deferred Charges	A-13			9,000.00		
Various Reserves	A-14			10,000.00		
Reserve for Federal & State Grants	A-23			44,310.29		
				<u>5,632,752.36</u>		
<u>Analysis of Appropriation Reserves</u>						
Unencumbered	A				651,874.70	
Encumbered	A				56,618.07	
					<u>708,492.77</u>	

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.



## Borough of Franklin, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Trust Funds

December 31,

<u>Assets</u>	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Animal Control Trust Fund			
Cash	B-1	15.00	1,740.02
Other Trust Funds:			
Cash	B-1	1,423,773.96	1,425,832.03
		1,423,788.96	1,427,572.05
<u>Liabilities, Reserves &amp; Fund Balance</u>			
Animal Control Trust Fund			
Reserve for Animal Control			
Trust Expenditures	B-2	10.80	1,740.02
Reserve for Encumbrances	B-4	4.20	
		15.00	1,740.02
Other Trust Fund:			
Reserve for Encumbrances	B-4	54,743.94	46,878.30
Reserve for Various Reserves and			
Other Trusts	B-5	1,365,961.81	1,375,812.71
Payroll Deductions Payable	B-6	3,068.21	3,141.02
		1,423,773.96	1,425,832.03
		1,423,788.96	1,427,572.05

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Borough of Franklin, N.J.

## Comparative Balance Sheet - Regulatory Basis

## General Capital Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Cash	C-2,C-3	1,491,972.18	1,876,631.45
Deferred Charges to Future Taxation:			
Unfunded	C-4	2,038,535.00	2,128,393.48
Grants Receivable	C-5	185,750.00	183,000.00
		<u>3,716,257.18</u>	<u>4,188,024.93</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Bond Anticipation Notes	C-6	2,038,535.00	2,119,085.00
Improvement Authorizations:			
Funded	C-7	53,553.96	161,422.56
Unfunded	C-7	890,580.07	1,610,411.84
Capital Improvement Fund	C-8	177,771.20	147,311.20
Reserve for Encumbrances	C-9	409,918.94	19,820.04
Various Reserves	C-11	131,350.43	115,427.23
Fund Balance	C-1	14,547.58	14,547.06
		<u>3,716,257.18</u>	<u>4,188,024.93</u>

Footnote C: There were Bonds and Notes Authorized But Not Issued in the Amount of \$ 9,308.48 and -0- on December 31, 2014 and 2015 as per Schedule C-12.

## Borough of Franklin, N.J.

## Comparative Statement of Changes in Fund Balance - Regulatory Basis

## General Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Balance - January 1,	C	14,547.06	<u>14,547.06</u>
Increased by:			
Miscellaneous Receipt	C-2	<u>0.52</u>	
Balance - December 31,	C	<u>14,547.58</u>	<u>14,547.06</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Comparative Balance Sheet - Regulatory Basis

## Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Operating Fund:			
Cash-Treasurer	D-5	1,735,449.30	1,356,121.42
Change Fund	D-6	200.00	200.00
		<u>1,735,649.30</u>	<u>1,356,321.42</u>
Receivables with Full Reserves:			
Consumers Account Receivable	D-9	<u>123,032.55</u>	<u>149,215.58</u>
Total Operating Fund		<u>1,858,681.85</u>	<u>1,505,537.00</u>
Capital Fund:			
Cash	D-5;D-8	860,307.20	911,867.66
Fixed Capital*	D-11	20,908,814.40	20,713,564.71
Fixed Capital Authorized and Uncompleted	D-12	959,000.00	992,000.00
Total Capital Fund		<u>22,728,121.60</u>	<u>22,617,432.37</u>
Total Assets		<u>24,586,803.45</u>	<u>24,122,969.37</u>

\* The fixed capital reported is taken from the municipal records and does not necessarily reflect the true condition of such fixed capital.

## Comparative Balance Sheet - Regulatory Basis

## Water / Sewer Utility Fund

December 31,

	<u>Ref</u>	<u>2015</u>	<u>2014</u>
<u>Liabilities, Reserves and Fund Balance</u>			
Operating Fund:			
Appropriation Reserve:			
Unencumbered	D-4;D-13	106,210.84	201,983.66
Encumbered	D-4;D-13	248,452.37	9,849.40
Total Appropriation Reserve		354,663.21	211,833.06
Accrued Interest on Bonds and Notes	D-14	36,144.51	21,584.36
Reserve for Water Hook- Ups	D-16	7,790.00	28,561.50
Reserve for Sewer Hook- Ups	D-17	10,545.76	55,293.00
Reserve for Capital Outlay	D-15	458.25	305.50
Reserve for BPW Maps	D-18	4,293.83	4,293.83
Reserve for Prepaid Water / Sewer Rents	D-19	36,867.20	40,772.90
		450,762.76	362,644.15
Reserve for Receivables	Contra	123,032.55	149,215.58
Fund Balance	D-1	1,284,886.54	993,677.27
Total Operating Fund		1,858,681.85	1,505,537.00
Capital Fund:			
Serial Bonds Payable	D-21	2,095,000.00	20,000.00
Bond Anticipation Notes	D-25	388,000.00	453,000.00
Various Reserves	D-20	290,612.64	315,863.22
FHA Water Supply Loan	D-22		2,292,072.49
Loan Payable - DEP Infrastructure Loan	D-23	168,651.35	196,105.44
Improvement Authorizations:			
Funded	D-24	6,982.78	25,497.88
Unfunded	D-24	412,735.25	415,286.52
Capital Improvement Fund	D-26	279,474.72	266,909.03
Reserve for Amortization	D-27	18,907,163.05	18,402,386.78
Reserve for Encumbrances	D-28	1,061.25	31,775.69
Accounts Payable	D-29	9,000.00	
Reserve for Deferred Amortization	D-30	150,000.00	183,000.00
Fund Balance	D-2	19,440.56	15,535.32
Total Capital Fund		22,728,121.60	22,617,432.37
Total Liabilities, Reserves and Fund Balances		24,586,803.45	24,122,969.37

Footnote D: There were Bonds and Notes Authorized But Not Issued in the Amount of \$159,000.00 and \$159,000.00 on December 31, 2015 and 2014 Per Exhibit D-31.

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Borough of Franklin, N.J.

## Comparative Statement of Operations and Changes in Fund Balance - Regulatory Basis

## Water / Sewer Utility Operating Fund

Years Ending December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Revenue and Other Income Realized:			
Operating Surplus Anticipated	D-3	34,768.00	
Water/Sewer Rents	D-3	2,254,793.16	2,251,920.85
Reserve for:			
Sewer Hook-Ups	D-3	55,293.00	23,697.00
Water Hook-Ups	D-3	28,561.00	15,579.00
Miscellaneous	D-3	131,237.78	109,691.00
Other Credits to Income:			
Unexpended Balance of Appropriation Reserves	D-13	188,943.31	174,448.97
Total Income		<u>2,693,596.25</u>	<u>2,575,336.82</u>
 Expenditures:			
Operating	D-4	1,815,510.00	1,838,195.00
Capital Improvements	D-4	199,100.00	125,053.00
Debt Service	D-4	277,908.98	286,664.89
Deferred Charges and Statutory Expenditures	D-4	75,100.00	77,121.00
Total Expenditures		<u>2,367,618.98</u>	<u>2,327,033.89</u>
 Statutory Excess to Surplus		325,977.27	248,302.93
 Fund Balance - January 1,	D	993,677.27	745,374.34
		<u>1,319,654.54</u>	<u>993,677.27</u>
 Decreased by:			
Utilized as Anticipated Revenue		34,768.00	
Fund Balance - December 31,	D	<u>1,284,886.54</u>	<u>993,677.27</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Borough of Franklin, N.J.

## Comparative Statement of Fund Balance - Regulatory Basis

## Water / Sewer Utility Capital Fund

Year Ended December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
Balance - January 1,	D	15,535.32	7,791.33
Increased by:			
Miscellaneous Bond Receipts	D-5	3,905.24	
Premium on Sale of Bond Anticipation Notes			<u>7,743.99</u>
Balance - December 31,	D	<u>19,440.56</u>	<u>15,535.32</u>

D-3

## Statement of Revenues - Regulatory Basis

## Water / Sewer Utility Operating Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Anticipated</u>	<u>Realized</u>	<u>Excess (Deficit)</u>
Operating Surplus Anticipated	D-1	34,768.00	34,768.00	
Water/Sewer Rents	D-1;D-9	2,249,000.00	2,254,793.16	5,793.16
Reserve for Sewer Hook-Ups	D-1;D-17	55,293.00	55,293.00	
Reserve for Water Hook-Ups	D-1;D-16	28,561.00	28,561.00	
Miscellaneous	D-1		<u>131,237.78</u>	<u>131,237.78</u>
Budget Totals	D-4	<u>2,367,622.00</u>	<u>2,504,652.94</u>	<u>137,030.94</u>

Analysis of Realized Revenues

## Miscellaneous:

## Interest on Deposits:

Water / Sewer Operating Fund	D-5	3,642.86		
Water / Sewer Capital Fund	D-10	<u>189.54</u>		
			3,832.40	

## Miscellaneous:

Antenna Lease Agreement		71,970.00		
Interest on Delinquent Payments		33,044.77		
Other Miscellaneous		<u>22,390.61</u>		
	D-5		<u>127,405.38</u>	
			<u>131,237.78</u>	

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.

## Borough of Franklin, N.J.

## Statement of Expenditures - Regulatory Basis

## Water / Sewer Utility Operating Fund

Year Ended December 31, 2015

	Ref.	Appropriated		Expended		Unexpended Balance Cancelled
		Budget	Budget After Modification	Paid or Charged	Reserved	
Operating:						
Salaries and Wages		412,710.00	412,710.00	347,969.08	64,740.92	
Other Expenses		<u>1,402,800.00</u>	<u>1,402,800.00</u>	<u>1,207,550.36</u>	<u>195,249.64</u>	
Total Operating	D-1	<u>1,815,510.00</u>	<u>1,815,510.00</u>	<u>1,555,519.44</u>	<u>259,990.56</u>	
Capital Improvements						
Capital Improvement Fund		15,000.00	15,000.00	15,000.00		
Capital Outlay		30,000.00	30,000.00	30,000.00		
Improvements to Water Distribution System		25,000.00	25,000.00	23,135.05	1,864.95	
Improvements to Sewers & Sewer Stations		33,600.00	33,600.00	33,600.00		
Purchase of Water/Sewer Equipment		10,500.00	10,500.00	5,036.13	5,463.87	
Inflow and Infiltration Improvements		<u>85,000.00</u>	<u>85,000.00</u>	<u>1,513.76</u>	<u>83,486.24</u>	
	D-1	<u>199,100.00</u>	<u>199,100.00</u>	<u>108,284.94</u>	<u>90,815.06</u>	
Debt Service:						
Payment of Bond Principal		120,000.00	120,000.00	120,000.00		
Payment of Bond Anticipation Notes and Capital Notes		65,000.00	65,000.00	65,000.00		
Interest on Bonds		53,160.00	53,160.00	53,160.00		
Interest on Notes		6,620.00	6,620.00	6,620.00		
DEP Loan Principal		27,457.00	27,457.00	27,453.98		3.02
DEP Loan Interest		<u>5,675.00</u>	<u>5,675.00</u>	<u>5,675.00</u>		
Total Debt Service	D-1	<u>277,912.00</u>	<u>277,912.00</u>	<u>277,908.98</u>		<u>3.02</u>
Deferred Charges and Statutory Expenditures:						
Statutory Expenditures:						
Contribution to:						
Public Employees' Retirement System		45,000.00	45,000.00	45,000.00		
Social Security System (O.A.S.I.)		28,500.00	28,500.00	25,156.02	3,343.98	
Unemployment Compensation Insurance		<u>1,600.00</u>	<u>1,600.00</u>	<u>1,086.39</u>	<u>513.61</u>	
Total Deferred Charges and Statutory Expenditures	D-1	<u>75,100.00</u>	<u>75,100.00</u>	<u>71,242.41</u>	<u>3,857.59</u>	
		<u>2,367,622.00</u>	<u>2,367,622.00</u>	<u>2,012,955.77</u>	<u>354,663.21</u>	<u>3.02</u>
			D-3			
Unencumbered	D				106,210.84	
Encumbered	D				<u>248,452.37</u>	
					<u>354,663.21</u>	
Cash Disbursed	D-5			1,947,500.77		
Accrued Interest on Bonds and Notes	D-14			<u>65,455.00</u>		
				<u>2,012,955.77</u>		

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements.



## Borough of Franklin, N.J.

## Comparative Balance Sheet - Regulatory Basis

## Public Assistance Fund

December 31,

	<u>Ref.</u>	<u>2015</u>	<u>2014</u>
<u>Assets</u>			
Cash	E-1	<u>5,531.03</u>	<u>5,519.96</u>
<u>Liabilities</u>			
Reserve for Public Assistance	E-5	<u>5,531.03</u>	<u>5,519.96</u>

The accompanying "Notes to Financial Statements" are an integral part of these Financial Statements

**Borough of Franklin, N.J.**

**Comparative Statement of General Fixed Assets - Regulatory Basis**

**December 31,**

**(Unaudited)**

	Balance <u>Dec. 31, 2015</u>	Balance <u>Dec. 31, 2014</u>
<b><u>ASSETS</u></b>		
Land, Building and Building Improvements	6,548,700.00	3,677,200.00
Machinery and Equipment	<u>3,781,859.00</u>	<u>2,052,389.00</u>
	<u>10,330,559.00</u>	<u>5,729,589.00</u>
<b><u>RESERVES</u></b>		
Investment in Fixed Assets	<u>10,330,559.00</u>	<u>5,729,589.00</u>

The accompanying "Notes to Financial Statements" are an integral part of these financial statements.

**BOROUGH OF FRANKLIN, N.J.**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB Codification establishes seven fund types and two account groups to be used by governmental units when reporting financial position and results of operations in accordance with accounting principals generally accepted in the United States of America (GAAP).

The financial statements of the Borough of Franklin have been prepared in conformity with accounting principles and practices prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (the "Division") which is a comprehensive basis of accounting other than generally accepted accounting principles. Such principles and practices are designed primarily for determining compliance with legal provisions and budgetary restrictions and as a means of reporting on the stewardship of public officials with respect to public funds. Under this method of accounting, the Borough accounts for its financial transactions through the following separate funds which differ from the fund structure required by GAAP.

**A. Reporting Entity**

The Borough of Franklin (the "Borough") operates under a Mayor and Council form of government. The Borough's major operations include public safety, road repair and maintenance, sanitation, fire protection, recreation and parks, health services, and general administrative services.

GASB has issued Statement No. 14 which requires the financial reporting entity to include both the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will be by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

However, the municipalities in the State of New Jersey do not prepare financial statements in accordance with GAAP and thus do not comply with all of the GASB pronouncements. The financial statements contained herein include only those boards, bodies, officers or commissions as required by NJS 40A:5-5. Accordingly, the financial statements of the Borough do not include the Volunteer Fire Department and Volunteer First Aid Squad which is considered a component unit under GAAP. Complete financial statements of the above components can be obtained by contacting the Treasurer of the respective entities.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting**

The Borough uses funds, as required by the Division, to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial administration by segregating transactions related to certain Borough functions or activities. An account group, on the other hand, is designed to provide accountability for certain assets and liabilities that are not recorded in those Funds.

The Borough has the following funds and account groups:

Current Fund - This fund accounts for resources and expenditures for governmental operations of a general nature, including Federal and State grants.

Trust Funds - Trust Funds are used to account for assets held by the government in a trustee capacity. Funds held by the Borough as an agent for individual, private organizations, or other governments are recorded in the Trust Funds.

Other Trust Fund - This fund is established to account for the assets and resources which are also held by the Borough as a trustee or agent for individuals, private organizations, other governments and/or other funds.

Animal Control Trust Fund - This fund is used to account for fees collected from dog and cat licenses and expenditures which are regulated by NJS 4:19-15.11.

General Capital Fund - This fund is used to account for the receipt and disbursement of funds used for acquisition or improvement of general capital facilities, other than those acquired in the Current Fund.

Public Assistance Fund - This fund is used to account for the receipt and disbursement of funds that provide assistance to certain residents of the Borough pursuant to Title 44 of New Jersey Statutes.

General Fixed Assets - This fund is used to account for all fixed assets of the Borough. The Borough's infrastructure is not reported in the group.

Water/Sewer Utility and Water/Sewer Capital Funds - Account for the operations and acquisition of capital facilities of the municipally owned water/sewer utility.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting** (continued)

**Basis of Accounting**

A modified accrual basis of accounting is followed by the Borough of Franklin. Under this method of accounting revenues, except State/Federal Aid, are recognized when received and expenditure are recorded, when incurred. The accounting principles and practices prescribed for municipalities by the Division differ in certain respects from generally accepted accounting principles (GAAP) applicable to local government units. The more significant differences are as follows:

Property Tax Revenues - Real property taxes are assessed locally, based upon the assessed value of the property. The tax bill includes a levy for Municipal, County and School purposes. The bills are mailed annually in June for that calendar year's levy. Taxes are payable in four quarterly installments on February 1, May 1, August 1, and November 1. The amounts of the first and second installments are determined as one quarter of the total tax levied against the property for the preceding year. The installment due the third and fourth quarters is determined by taking the current year levy less the amount previously charged for the first and second installments, with the remainder being divided equally. If unpaid on these dates, the amount due becomes delinquent and subject to interest at 8% per annum, or 18% on any delinquency amount in excess of \$1,500. The school levy is turned over to the Board of Education as expenditures are incurred, and the balance, if any, must be transferred as of June 30, of each fiscal year. County taxes are paid quarterly on February 15, May 15, August 15 and November 15, to the County by the Borough. When unpaid taxes or any municipal lien, or part thereof, on real property, remains in arrears on the 11<sup>th</sup> day of the 11<sup>th</sup> month of the fiscal year levied, the collector in the municipality shall subject to the provisions of the New Jersey Statutes enforce the lien by placing the property on a tax sale. Annual in rem tax foreclosure proceedings are instituted to enforce the tax collection or acquisition of title to the property by the Borough. In accordance with the accounting principles prescribed by the State of New Jersey, current and delinquent taxes are realized as revenue when collected. Since delinquent taxes and liens are fully reserved, no provision has been made to estimate that portion of the taxes receivable and tax title liens that are uncollectible. GAAP requires tax revenues to be recognized in the accounting period when they become susceptible to accrual, reduced by an allowance for doubtful accounts.

Miscellaneous Revenues - Miscellaneous revenues are recognized on a cash basis. Receivables for the miscellaneous items that are susceptible to accrual are recorded with offsetting reserves on the balance sheet of the Borough's Current Fund and Water/Sewer Operating Fund. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

Grant Revenues - Federal and State grants, entitlements or shared revenues received for purposes normally financed through the Current Fund are recognized when anticipated in the Borough's budget. GAAP requires such revenues to be recognized in the accounting period when they become susceptible to accrual.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

**Budgets and Budgetary Accounting**

An annual budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures for the Current Fund and Water/Sewer Operating Fund. Budget amounts presented in the accompanying financial statements represent amounts adopted by the Borough and approved by the State Division of Local Government Services per N.J.S.A. 40-A:4 et seq.

The Borough is not required to adopt budgets for the following funds:

Animal Control Trust Fund  
General Capital Fund

Public Assistance Trust Fund  
Water/Sewer Capital Fund

The governing body shall introduce and approve the annual budget not later than February 10, of the fiscal year. The budget shall be adopted not later than March 20, and prior to adoption must be certified by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. The Director of the Division of Local Government Services, with the approval of the Local Finance Board may extend the introduction and approval and adoption dates of the municipal budget. The budget is prepared by fund, function, activity and line item (salary or other expense) and includes information on the previous year. The legal level of control for appropriations is exercised at the individual line item level for all operating budgets adopted. Emergency appropriations, those made after the adoption of the budget and determination of the tax rate, may be authorized by the governing body of the municipality. During the last two months of the fiscal year, the governing body may, by a 2/3 vote, amend the budget through line item transfers. Management has no authority to amend the budget without the approval of the Governing Body. Expenditures may not legally exceed budgeted appropriations at the line item level. During 2015, there were two special items of revenue inserted into the budget. In addition, several budget transfers were approved by the Governing Body.

Expenditures - Are recorded on the "budgetary" basis of accounting. Generally, expenditures are recorded when an amount is encumbered for goods or services through the issuance of a purchase order in conjunction with an encumbrance accounting system. Outstanding encumbrances at December 31, are reported as a cash liability in the financial statements. Unexpended or uncommitted appropriations, at December 31, are reported as expenditures through the establishment of appropriation reserves unless canceled by the governing body. GAAP requires expenditures to be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which should be recognized when due.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

Encumbrances - Contractual orders outstanding at December 31, are reported as expenditures through the establishment of an encumbrance payable. Encumbrances do not constitute expenditures under GAAP.

Appropriation Reserves - Are available, until lapsed at the close of the succeeding year, to meet specific claims, commitments or contracts incurred during the preceding year. Lapsed appropriation reserves are recorded as additions to income. Appropriation reserves do not exist under GAAP.

Compensated Absences - Expenditures relating to obligations for unused vested accumulated vacation and sick pay are not recorded until paid. GAAP requires that the amount that would normally be liquidated with expendable available financial resources be recorded as an expenditure in the operating funds and the remaining obligations be recorded as a long-term obligation.

Property Acquired for Taxes - Is recorded in the Current Fund at the assessed valuation when such property was acquired and fully reserved. GAAP requires such property to be recorded in the General Fixed Assets Account Group at market value on the date of acquisition.

Interfunds - Interfund receivables in the Current Fund are recorded with offsetting reserves which are created by charges to operations. Income is recognized in the year the receivables are liquidated. Interfund receivables in the other funds are not offset by reserves. GAAP does not require the establishment of an offsetting reserve.

Inventories - The costs of inventories of supplies for all funds are recorded as expenditures at the time individual items are purchased. The costs of inventories are not included on the various balance sheets.

Cash and Investments - Cash includes amounts in demand deposits as well as short-term investments with a maturity date within one year of the date acquired by the government. Investments are stated at cost and are limited by NJSA 40A:5-15.1(a).

Deferred Charges to Future Taxation Funded and Unfunded - Upon the authorization of capital projects, the Borough establishes deferred charges for the costs of the capital projects to be raised by future taxation. Funded deferred charges relate to permanent debt issued, whereas unfunded deferred charges relate to temporary or non-funding of the authorized cost of capital projects. According to N.J.S.A. 40A:2-4, the Borough may levy taxes on all taxable property within the local unit to repay the debt. Annually, the Borough raises the debt requirements for that particular year in the current budget. As the funds are raised by taxation, the deferred charges are reduced.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

Comparative Data - Comparative data for the prior year has been presented in the accompanying balance sheets and statements of operations in order to provide an understanding of changes in the Borough's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

Use of Estimates - The preparation of financial statements requires management of the Borough to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

General Fixed Assets - The Borough of Franklin has developed a fixed asset accounting and reporting system, as promulgated by the Division of Local Government Services, which differs from generally accepted accounting principles

Fixed Assets used in Governmental operations (general fixed assets) are accounted for in the General Fixed Assets Account Group. Public domain (infrastructure) general fixed assets consisting of certain improvements other than buildings, such as roads, bridges, curbs and gutters, streets sidewalks and drainage systems are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

No depreciation has been provided for in the financial statements.

Expenditures for construction in progress are recorded in the Capital funds until such time as the construction is completed and put into operation.

Fixed assets acquired through grants in aid or contributed capital have not been accounted for separately.

GAAP requires that all fixed assets be capitalized at historical cost or estimated historical cost if actual historical cost is not available.



**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

**Recent Accounting Pronouncements**

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement, which is effective for fiscal periods beginning after June 15, 2014, will not have any effect on the entity's financial reporting. However, the provisions of this statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In April of 2013, the Government Accounting Standards Board issued GASB Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement is effective for reporting periods beginning after June 15, 2013 and will not have any impact on the entity's financial statement disclosures.

In November 2013, the Government Accounting Standards Board issued GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The provisions of this statement are required to be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014. The provisions of this Statement required significant modifications to the disclosure requirements related to the entity's proportionate share of the cost-sharing defined benefit plans reported at the State of New Jersey level.

In February 2015, the Government Accounting Standards Board issued GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

**Recent Accounting Pronouncements (continued)**

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68. This Statement is effective for periods beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for financial statements for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. This Statement applies to OPEB plans and basically parallels GASB Statement 67 and replaces GASB Statement 43 and is effective for periods beginning after June 15, 2016. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 2015, the Government Accounting Standards Board issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement applies to government employers who provided OPEB plans to their employees and basically parallels GASB Statement 68 and replaces GASB Statement 45. The Statement is effective for periods beginning after June 15, 2017. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In June 30, 2015, the Government Accounting Standards Board issued GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. This Statement is effective for periods beginning after June 15, 2015. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Basis of Accounting (continued)**

**Recent Accounting Pronouncements (continued)**

In August 2015, the Government Accounting Standards Board issued GASB Statement No. 77, Tax Abatement Disclosures, which improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Borough is currently reviewing what effect, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 78, Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement is effective for reporting periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

In December 2015, the Government Accounting Standards Board issued GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it established criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for periods beginning after June 15, 2015, and for certain provisions, periods beginning after December 15, 2015. The Borough is currently reviewing what effects, if any, this Statement might have on future financial statements.

**C. Basic Financial Statements**

The GASB Codification also defines the financial statements of a governmental unit to be presented in the general purpose financial statements to be in accordance with GAAP. The Borough presents the financial statements listed in the table of contents which are required by the Division and which differ from the financial statements required by GAAP. In addition, the Division requires the financial statements listed in the table of contents to be referenced to the supplementary schedules. This practice differs from GAAP.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 2: BUDGETARY INFORMATION**

Under New Jersey State Statutes, the annual budget is required to be a balanced cash basis document. To accomplish this, the municipality is required to establish a reserve for uncollected taxes. The 2015 statutory budget included a reserve for uncollected taxes in the amount of \$375,748.00. To balance the budget, the municipality is required to show a budgeted fund balance. The amount of fund balance budgeted to balance the 2015 statutory budget was \$151,360.00.

Interdepartment budget transfers are not permitted prior to November 1. After November 1, budget transfers can be made in the form of a resolution and approved by the Borough Council.

N.J.S.A. 40A:4-87 permits special items of revenue and appropriations to be inserted into the annual budget when the item has been made available by any public or private funding source and the item was not determined at the time of budget adoption. There were items of revenue and appropriation inserted into the annual budget for 2015; \$10,000.00, Drive Sober or Get Pulled Over and \$5,000.00, Distracted Driver Grant.

The municipality may make emergency appropriations, after the adoption of the budget, for a purpose which was not foreseen at the time the budget was adopted or for which adequate provision was not made therein. This type of appropriation shall be made to meet a pressing need or public expenditure to protect or promote the public health, safety, morals or welfare or to provide temporary housing or public assistance prior to the next succeeding fiscal year. Emergency appropriations, except those classified as a special emergency, must be raised in the budgets of the succeeding year. Special emergency appropriations are permitted to be raised in the budgets of the succeeding three or five years. During 2015, there were no special emergency appropriations inserted into the budget.

**NOTE 3: DEFERRED CHARGES TO BE RAISED IN SUCCEEDING BUDGETS**

Certain expenditures are required to be deferred to budgets of succeeding years. At December 31, 2015 the following deferred charges are shown on the balance sheets of the various funds.

	<u>Balance Dec. 31, 2015</u>	<u>2016 Budget Appropriation</u>	<u>Balance to Succeeding Budgets</u>
Current Fund:			
Special Emergency Authorization (NJSA 40A:4-55)	<u>\$15,000.00</u>	<u>\$5,000.00</u>	<u>\$10,000.00</u>

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 4: FIXED ASSETS (UNAUDITED)**

The following schedule is a summarization of the changes in general fixed assets for the calendar year ended December 31, 2015.

	<u>Balance as of 12/31/14</u>	<u>Additions</u>	<u>Disposals</u>	<u>Adjustments(1)</u>	<u>Balance as of 12/31/15</u>
Land, Building and Improvements	\$3,677,200.00	\$ -	\$ -	\$2,871,500.00	\$ 6,548,700.00
Equipment (Including Vehicles)	<u>2,052,389.00</u>	<u>131,244.00</u>	<u>33,276.00</u>	<u>1,631,502.00</u>	<u>3,781,859.00</u>
	<u>\$5,729,589.00</u>	<u>\$131,244.00</u>	<u>\$33,276.00</u>	<u>\$4,503,002.00</u>	<u>\$10,330,559.00</u>

(1) Land was included this year and firehouse equipment was also included this year as adjustments.

**NOTE 5: MUNICIPAL DEBT**

Long-term debt as of December 31, 2015 consisted of the following:

	<u>Balance Dec. 31, 2014</u>	<u>Increased</u>	<u>Decreased</u>	<u>Balance Dec. 31, 2015</u>	<u>Amount Due Within One Year</u>
Water/Sewer Capital Fund:					
Bonds Payable	\$ 20,000.00	\$2,195,000.00	\$ 120,000.00	\$2,095,000.00	\$65,000.00
USDA (FHA) Loan	2,292,072.49	-	2,292,072.49 (2)	-	-
NJEIT Loan	<u>196,105.44</u>	<u>-</u>	<u>27,454.09</u>	<u>168,651.35</u>	<u>34,964.05</u>
	<u>2,508,177.93</u>	<u>2,195,000.00</u>	<u>2,439,526.58</u>	<u>2,263,651.35</u>	<u>99,964.05</u>
Compensated Absences Payable	<u>253,908.84</u>	<u>32,644.19 (3)</u>	<u>-</u>	<u>286,553.03</u>	<u>-</u>
	<u>\$2,762,086.77</u>	<u>\$2,227,644.19</u>	<u>\$2,439,526.58</u>	<u>\$2,550,204.38</u>	<u>\$99,964.05</u>

(2) Refunded

(3) Net Increase

The Local Bond law governs the issuance of bonds and note to finance capital expenditures. General obligation bonds have been issued for the general capital fund. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Borough are general obligation bonds, backed by the full faith and credit of the Borough. Bond anticipation notes, which are issued to temporarily finance capital projects, must be paid off within ten years and five months or retired by the issuance of bonds.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

The Borough's debt is summarized as follows:

<u>Issued</u>	<u>Year 2015</u>	<u>Year 2014</u>	<u>Year 2013</u>
General:			
Bonds, Notes & Loans	\$2,038,535.00	\$2,119,085.00	\$ 875,100.00
Water/Sewer Utility:			
Bonds, Notes & Loans	<u>2,651,651.35</u>	<u>2,961,177.93</u>	<u>3,126,247.35</u>
	<u>4,690,186.35</u>	<u>5,080,262.93</u>	<u>4,001,347.35</u>
<u>Authorized But Not Issued</u>			
General:			
Bonds and Notes	-	9,308.48	50,007.72
Water/Sewer Utility:			
Bonds and Notes	<u>159,000.00</u>	<u>159,000.00</u>	<u>159,000.00</u>
Total Authorized But Not Issued	<u>159,000.00</u>	<u>168,308.48</u>	<u>209,007.72</u>
Net Bonds, Notes and Loans Issued and Authorized but not Issued	<u>4,849,186.35</u>	<u>5,248,571.41</u>	<u>4,210,355.07</u>
Less:			
Self-Liquidating Debt	<u>2,810,651.35</u>	<u>3,120,177.93</u>	<u>3,285,247.35</u>
Net Debt	<u>\$2,038,535.00</u>	<u>\$2,128,393.48</u>	<u>\$ 925,107.72</u>

**SUMMARY OF STATUTORY DEBT CONDITION - ANNUAL DEBT STATEMENT**

The summarized statement of debt condition which follows is prepared in accordance with the required method of setting up the Annual Debt Statement and indicates a statement net debt of 0.497%.

	<u>Gross Debt</u>	<u>Deductions</u>	<u>Net Debt</u>
Local School District Debt	\$ 701,040.71	\$ 701,040.71	\$ -
Water/Sewer Utility Debt	2,810,651.35	2,810,651.35	-
General Debt	<u>2,038,535.00</u>	<u>-</u>	<u>2,038,535.00</u>
	<u>\$5,550,227.06</u>	<u>\$3,511,692.06</u>	<u>\$2,038,535.00</u>

Net Debt \$2,038,535.00 divided by equalized valuation basis per N.J.S.A. 40A:2-2 as amended, 410,331,162.33 = 0.497%.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

**SUMMARY OF AVERAGE EQUALIZED VALUATION**

2015	410,331,162.33		
2014		423,460,788.30	
2013			451,176,747.00

**BORROWING POWER UNDER N.J.S.A. 40A:2-6 AS AMENDED**

3 1/2% of Equalized Valuation Basis (Municipal)			\$14,361,590.68
Net Debt			<u>2,038,535.00</u>
Remaining Borrowing Power			<u>\$12,323,055.68</u>

**CALCULATION OF "SELF-LIQUIDATING PURPOSE" WATER/SEWER UTILITY PER N.J.S.A. 40A:2-45**

Cash Receipts from Fees, Rents or Other Charges for Year			\$2,504,652.94
Operating And Maintenance Costs	\$1,890,610.00		
Debt Service	<u>277,908.98</u>		
			<u>2,168,518.98</u>
Excess in Revenue			<u>\$ 336,133.96</u>

If there is an "excess in revenue" all such utility debt is deductible. If there is a deficit, then utility debt is not deductible to the extent of 20 times such deficit amount. The forgoing debt information is not in agreement with the Annual Debt Statement filed by the Chief Financial Officer.

Long-term debt as of December 31, 2015 consisted of the following:

Outstanding debt whose principal and interest are paid from the Water/Sewer Utility Operating Fund budget of the Borough:

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Trust Loan portion in the amount of \$280,000.00, at various rates from 5.00% to 5.25% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2015 was \$100,000.00.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 5: MUNICIPAL DEBT (CONTINUED)**

On November 1, 2000, the Borough issued a New Jersey Infrastructure Trust Loan, Fund Loan portion in the amount of \$270,000.00, at a rate of 0.00% for the Removal and Construction of a New Water Tank. This will mature on August 1, in each of the years, 2001-2020. The balance remaining as of December 31, 2015 was \$68,651.35.

On February 15, 2015, The Borough issued \$2,195,000.00 of Water Refunding Bonds of 2015 at interest rates of 2.00% to 4.00% per annum. At December 31, 2015, the balance remaining was \$2,095,000.00.

The Borough's long term debt consisted of the following at December 31, 2015:

Water Utility Capital Account	<u>\$2,263,651.35</u>
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**SCHEDULE OF ANNUAL DEBT SERVICE FOR PRINCIPAL AND INTEREST FOR BONDED DEBT AND LOAN OBLIGATIONS ISSUED AND OUTSTANDING**

<u>Calendar Year</u>	<u>Water/Sewer Utility</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016	99,964.05	82,075.00	182,039.05
2017	99,355.99	79,750.00	179,105.99
2018	98,733.11	77,400.00	176,133.11
2019	103,110.23	74,400.00	177,510.23
2020	102,487.97	71,250.00	173,737.97
2021-2025	395,000.00	316,750.00	711,750.00
2026-2030	465,000.00	237,200.00	702,200.00
2031-2035	575,000.00	136,000.00	711,000.00
2036-2038	<u>325,000.00</u>	<u>23,200.00</u>	<u>348,200.00</u>
 Total	 <u>2,263,651.35</u>	 <u>1,098,025.00</u>	 <u>3,361,676.35</u>



**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 6: BOND ANTICIPATION NOTES**

The Borough issues bond anticipation notes to temporarily fund various capital projects prior to the issuance of serial bonds. The term of the notes cannot exceed one year but the notes may be renewed from time to time for a period not exceeding one year. Generally, such notes must be paid no later than the first day of the fifth month following the close of the tenth fiscal year following the date of the original notes. The State of New Jersey also prescribes that on or before the third anniversary date of the original note, a payment of an amount at least equal to the first legally payable installment of the bonds in anticipation of such notes were issued be paid or retired. A second and third legal installment must be paid if the notes are to be renewed beyond the fourth and fifth anniversary date of the original issuance.

The Borough has outstanding at December 31, 2015, a bond anticipation note in the amount of \$2,038,535.00 payable to TD Bank NA. This note will mature on 8/19/16 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is .74%. Principal and interest on this note is paid from the Current Fund Budget of the Borough.

The Borough has outstanding at December 31, 2015, a bond anticipation note in the amount of \$388,000.00 payable to TD Bank NA. This note will mature on 8/19/16 and it is the intent of the Borough council to renew this note for another one year period. The current interest rate on this note is .74%. Principal and interest on this note is paid from the Water/Sewer Operating Fund Budget of the Borough.

The following activity related to bond anticipation notes occurred during the calendar year ended December 31, 2015.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Notes Payable:				
General Capital:				
Jeffries LLC	\$2,119,085.00	\$ -	\$2,119,085.00	\$ -
TD Bank NA	-	2,038,535.00	-	2,038,535.00
Water/Sewer Capital:				
Jeffries LLC	453,000.00		453,000.00	
TD Bank NA	-	388,000.00	-	388,000.00
	<u>\$2,572,085.00</u>	<u>\$2,426,535.00</u>	<u>\$2,572,085.00</u>	<u>\$2,426,535.00</u>

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 7: FUND BALANCES APPROPRIATED**

Fund balances at December 31, 2015 and 2014 which were appropriated and included as anticipated revenue in their own respective funds for the years ending December 31, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Current Fund	<u>\$300,000.00</u>	<u>\$151,360.00</u>
Water/Sewer Utility Operating	<u>\$ 94,496.00</u>	<u>\$ 34,768.00</u>

**NOTE 8: LOCAL DISTRICT SCHOOL TAXES**

Regulations provide for the deferral of not more than 50% of the annual levy when school taxes are raised for a school year and have not been requisitioned by the School District.

The Borough of Franklin has elected not to defer school taxes.

**NOTE 9: PENSION PLANS**

Description of Systems:

Substantially all of the Borough's employees participate in one of the following contributory defined benefit public employee retirement systems which have been established by State statute: the Police and Firemens' Retirement System (PFRS) or the Public Employees' Retirement System (PERS). These systems are sponsored and administered by the State of New Jersey. The Public Employees' Retirement System and the Police and Firemens' Retirement System (PFRS) are considered a cost sharing multiple-employer plans. According to the State of New Jersey Administrative Code, all obligations of the systems will be assumed by the State of New Jersey should the systems terminate.

*Public Employees' Retirement System (PERS)*

The Public Employees' Retirement System was established in January, 1955 under the provisions of N.J.S.A. 43:15A to provide coverage including post-retirement health care to certain qualified members. Membership is mandatory for substantially all full time employees of the State or any county, municipality, school district or public agency provided the employee is not required to be a member of another State-administered retirement system. Vesting occurs after 8-10 years of service and 25 years for health care coverage. Members are eligible for retirement at age 60 with an annual benefit generally determined to be 1/55th of the average annual compensation for the highest three fiscal years' compensation for each year of membership during years of creditable service. Early retirement is available to those under age 60 with 25 or more years of credited service. Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on contributions. In case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

Description of Systems (continued)

*Public Employees' Retirement System (PERS)* (continued)

Chapter 103, P.L. 2007 amended the early retirement reduction formula for members hired on or after July 1, 2007 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 60, plus 3% for every year under age 55.

Chapter 89, P.L. 2008 increased the PERS eligibility age for unreduced benefits from age 60 to age 62 for members hired on or after November 1, 2008; increased the minimum annual compensation required for membership eligibility for new members. Also, it amended the early retirement reduction formula for members hired on or after November 1, 2008 and retiring with 25 years of service to be reduced by 1% for every year between age 55 and 62, plus 3% for every year under age 55.

Chapter 1, P.L. 2010, effective May 21, 2010, changed the membership eligibility criteria for new members of PERS from the amount of compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to 1/60 from 1/55, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires the State to make its full pension contribution, defined as 1/7th of the required amount, beginning in fiscal year 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 78, P.L. 2011, provides that new members of PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65. Tier 5 members will be eligible for a service retirement benefit at age 65.

*Police and Firemens' Retirement System (PFRS)*

The Police and Firemens' Retirement System was established in July 1944 under the provisions of N.J.S.A. 43:16A to provide retirement, death and disability benefits to its members. Membership is mandatory for all full time county and municipal police and firemen, and state firemen or officer employees with police powers appointed after June 30, 1944.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

Description of Systems (continued)

*Police and Firemens' Retirement System (PFRS) (continued)*

Enrolled members of the Police and Firemens' Retirement System may retire at age 55 with no minimum service requirement. The annual allowance is equal to 2% of the members' final compensation for each year of service up to 30 years, plus 1% of each year of creditable service over 30 years. Final compensation equals the compensation for the final year of service prior to retirement. Special retirement is permitted to members who have 25 or more years of creditable service in the system.

Benefits fully vest on reaching 10 years of service. Members are always fully vested for their own contributions. In the case of death before retirement, members' beneficiaries are entitled to full payment of members' contributions.

Chapter 1, P.L. 2010, effective May 21, 2010, eliminated the provision in PFRS that would permit a member to retire, at any age after 25 years of service credit, on a special retirement allowance of 70% of final compensation after the retirement system reaches a funded level of 104%. Also, for new members of PFRS, the law capped the maximum compensation that can be used to calculate a pension from the plan at the annual wage contribution base for Social Security, and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary.

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information for PERS and PFRS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Divisions of Pensions and Benefits, P.O. Box 295, Trenton, NJ 08625-0295.

Defined Contribution Retirement Program

The Defined Contribution Retirement Program (DCRP) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members, with a minimum base salary of \$1,500.00 or more, with a tax-sheltered, defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

If the eligible elected or appointed official will earn less than \$5,000.00 annually, the official may choose to waiver participation in the DCRP for that office or position. The waiver is irrevocable.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

Defined Contribution Retirement Program (continued)

This retirement program is a new pension system where the value of the pension is based on the amount of the contribution made by the employee, employer and through investment earnings. It is similar to a Deferred Compensation Program where the employee has a portion of tax deferred salary placed into an account that the employee manages through investment option provided by the employer.

The law requires that three classes of employees enroll in the DCRP detailed as follows:

All elected officials taking office on or after July 1, 2007, except that a person who is reelected to an elected office held prior to that date without a break in service may retain in the PERS.

A Governor appointee with advice and consent of the Legislature or who serves at the pleasure of the Governor only during that Governor's term of office.

Other employees commencing service after July 1, 2007, pursuant to an appointment by an elected official or elected governing body which include the statutory untenured Chief Administrative Officer such as the Business Administrator, County Administrator, or Municipal or County Manager, Department Heads, Legal Counsel, Municipal or County Engineer, Municipal Prosecutor and the Municipal Court Judge.

Notwithstanding the foregoing requirements, other employees who hold a professional license or certificate or meet other exceptions are permitted to remain to join or remain in PERS.

Contributions made by employees for DCRP are currently at 5.5% of the base wages. Member contributions are matched by a 3.0% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 and 8.5% for PFRS, which increased to 10% in October 2011, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds except the SACT. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS and PFRS. In the PERS and PFRS, the employer contribution includes funding for post-retirement medical premiums.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

Contribution Requirements (continued)

The Borough's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Year</u>	<u>PERS</u>	<u>PFRS</u>	<u>DCRP</u>
2015	\$123,805.00	\$272,052.00	\$776.43
2014	105,890.00	235,867.00	525.51
2013	141,917.00	238,968.00	632.09

Statement No's 68 and 71 require a state or local government employer to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. However, since the financial statements are prepared on another comprehensive basis of accounting, the net pension liability of the various pension systems is not recorded in the financial statements and is only required to be disclosed in the notes to the financial statements. The following pension information is as of June 30, 2014 which is the latest information available. This information is eighteen months prior to December 31, 2015. GASB Statement No. 68 requires that the information be no more than twelve months prior to the employer's fiscal year end.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

**Public Employees Retirement System (PERS)**

At December 31, 2015, the Borough had a liability of \$2,811,753.00 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Borough's proportion was 0.0150178513 percent, which was an increase/(decrease) of 0.0009643848 percent from its proportion measured as of June 30, 2013.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**Public Employees Retirement System (PERS) (continued)**

For the year ended December 31, 2015, the Borough recognized pension expense of \$78,805.00. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$88,417.00	\$ -
Net difference between projected and actual earnings on pension plan investments	-	167,565.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	155,693.00	
Borough contributions subsequent to the measurement date	<u>125,219.00</u>	<u>-</u>
Total	<u>\$369,329.00</u>	<u>\$167,565.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	(\$25,638.00)
2017	(25,638.00)
2018	(25,638.00)
2019	16,253.00
Thereafter	7,151.00

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Public Employees Retirement System (PERS)** (continued)

**Additional Information**

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 952,194,675	Not Available
Collective deferred inflows of resources	1,479,224,662	Not Available
Collective net pension liability	18,722,735,003	\$19,111,986,111
Borough's Proportion	0.0150178513%	0.0140534665%

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	2.15-4.40 Percent (based on age)
Thereafter	3.15-5.40 Percent (based on age)
Investment Rate of Return	7.90 Percent

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.



**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Public Employees Retirement System (PERS)** (continued)

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bond	1.00%	2.49%
Intermediate Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Returns	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Public Employees Retirement System (PERS)** (continued)

**Discount Rate** (continued)

the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2014</u>		
	<u>1%</u> Decrease	<u>At Current</u> Discount Rate	<u>1%</u> Increase
	<u>4.39%</u>	<u>5.39%</u>	<u>6.39%</u>
Borough's proportionate share of the pension liability	\$3,537,280.00	\$2,811,753.00	\$2,202,494.00

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**Police and Firemen's Retirement System (PFRS)**

At December 31, 2015, the Borough had a liability of \$4,455,539.00 for its proportionate share of the PFRS net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Borough's proportion of the net pension liability was based on a projection of the Borough's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, actuarially determined. At June 30, 2014, the Borough's proportion was 0.0354025210 percent, which was an increase/(decrease) of 0.0030732728 percent from its proportion measured as of June 30, 2013.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Police and Firemen's Retirement System (PFRS)** (continued)

For the year ended December 31, 2015, the Borough recognized pension expense of \$272,052.00. At December 31, 2015, deferred outflows of resources and deferred inflows of resources related to PFRS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$167,276.00	\$ -
Net difference between projected and actual earnings on pension plan investments	-	454,673.00
Changes in proportion and differences between Borough contributions and proportionate share of contributions	344,321.00	-
Borough contributions subsequent to the measurement date	<u>270,810.00</u>	<u>-</u>
Total	<u>\$782,407.00</u>	<u>\$454,673.00</u>

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2014) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	(\$81,272.00)
2017	(81,272.00)
2018	(81,272.00)
2019	32,339.00
Thereafter	5,498.00

**Additional Information**

Local Group Collective balances at June 30, 2014 and June 30, 2013 are as follows:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Collective deferred outflows of resources	\$ 750,532,959	Not Available
Collective deferred inflows of resources	1,561,923,934	Not Available
Collective net pension liability	13,933,627,178	\$14,533,269,004
Borough's Proportion	0.0354025210%	0.0323292482%

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Police and Firemen's Retirement System (PFRS)** (continued)

**Actuarial Assumptions**

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of July 1, 2013, which rolled forward to June 30, 2014. The total pension liability for the July 1, 2013 measurement date was determined by an actuarial valuation as of July 1, 2013. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation	3.01 Percent
Salary Increases:	
2012-2021	3.95-8.62 Percent (based on age)
Thereafter	4.95-9.62 Percent (based on age)
Investment Rate of Return	7.90 Percent

**Mortality Rates**

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2011 based on Projection Scale AA.

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class included in PFRS's target asset allocation as of June 30, 2014 are summarized in the following table:

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

**Police and Firemen's Retirement System (PFRS) (continued)**

**Long-Term Rate of Return (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	6.00%	0.80%
Core Bond	1.00%	2.49%
Intermediate Term Bonds	11.20%	2.26%
Mortgages	2.50%	2.17%
High Yield Bonds	5.50%	4.82%
Inflation Indexed Bonds	2.50%	3.51%
Broad U.S. Equities	25.90%	8.22%
Developed Foreign Markets	12.70%	8.12%
Emerging Market Equities	6.50%	9.91%
Private Equity	8.25%	13.02%
Hedge Funds/Absolute Returns	12.25%	4.92%
Real Estate (Property)	3.20%	5.80%
Commodities	2.50%	5.35%
	<u>100.00%</u>	

**Discount Rate**

The discount rate used to measure the total pension liability was 6.32% and 6.45% as of June 30, 2014 and 2013, respectively. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer GO 20-Bond Municipal Bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of contributions made in relation to the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2045. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2045, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 9: PENSION PLANS (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (continued)

**Police and Firemen's Retirement System (PFRS)** (continued)

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2014 respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 - percentage point lower or 1 - percentage-point higher than the current rate:

	<u>June 30, 2014</u>		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.32%</u>	<u>6.32%</u>	<u>7.32%</u>
Borough's proportionate share of the pension liability	\$6,647,657.00	\$4,455,539.00	\$3,515,614.00

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Police and Firemen's Retirement System (PFRS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 10: ACCRUED SICK AND VACATION BENEFITS**

The Borough permits employees to accrue unused sick time pay, which may be taken as time off or paid upon retirement or separation at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$286,553.03. This amount is not reported either as an expenditure or liability. However, it is expected that the cost of such unpaid compensation would be included in the Borough's budget operating expenditures in the year in which it is used. At December 31, 2015, the Borough had \$67,879.04 reserved in the Other Trust Fund for accrued leave.

The Borough does not permit employees to accrue vacation time.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 11: DEFERRED COMPENSATION PLAN**

The Borough offers its employees a deferred compensation plan (the "plan") created in accordance with Section 457 of the Internal revenue Code. The plan, which is administered by Lincoln Financial, is available to all Borough employees and permit participants to defer a portion of their salary. The deferred compensation is not available to employees until termination, retirement, unforeseeable emergency of upon death to their beneficiaries.

**NOTE 12: CASH AND CASH EQUIVALENTS**

**Cash**

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Borough's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2015, \$-0- of the Borough's bank balance of \$8,800,103.99 was exposed to custodial credit risk.

**Investments**

**Investment Rate Risk**

The Borough does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investments to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America, bonds or other obligations of the Boroughs or bonds or other obligations of the local unit or units within which the Borough is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Borough places no limit on the amount the Borough may invest in any one issuer.

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 13: RISK MANAGEMENT**

The Borough is exposed to various risks of loss related to general liability, automobile coverage, damage and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Borough has obtained insurance coverage to guard against these events which will provide minimum exposure to the Borough should they occur. During the 2015 calendar year, the Borough did not incur claims in excess of their coverage and the amount of coverage did not significantly decrease.

The Borough is a member of the Statewide Insurance Fund (the "Fund"). The Fund is a self-administered group of municipalities established for the purpose of providing certain low-cost workers' compensation insurance for member municipalities. The Borough pays an annual assessment to the Fund and should it be determined that payments received by the Fund are deficient, additional assessments may be levied.

The Fund can declare and return excess surplus to members upon approval of the State of New Jersey Department of Insurance. These distributions would be divided among the members in the same ratio as their individual assessment relates to the total assessment of the membership body. In accordance with Statement No. 10 of the Government Accounting Standards Board, these distributions may be issued to reduce the amount recorded for membership expense in the year in which the distribution was declared.

Financial statements for the funds are available at the office of the Funds' Executive Director, 26 Columbia Turnpike, P. O. Box 678, Florham Park, NJ 07932.

The Borough of Franklin continues to carry commercial insurance coverage for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 14: DUE TO/FROM OTHER FUNDS**

Balances due to/from other funds at December 31, 2015 consist of the following:

<u>\$97,083.55</u>	Due to Federal and State Grant Fund from Current Fund for receipts and disbursements made in Current Fund.
--------------------	--

It is anticipated that all interfunds will be liquidated during the calendar year.



**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 15: LEASES**

The Borough has a commitment to lease a postal meter under an operational lease for sixty months that starts on July 1, 2014 and expires on June 30, 2018. Monthly payments are \$142.57. Total Operational lease payments made during the year were \$1,698.84. Future operating lease payments are as follows:

2016	\$1,698.84
2017	1,698.84
2018	<u>849.42</u>
	<u>\$4,247.11</u>

The Borough entered in a long-term lease for the purchase of three (3) Savin copiers totaling \$22,680.00. The lease is for a 5 year term.

The following is a schedule of future minimum lease payments as of December 31, 2015:

Total minimum lease payments	\$11,718.00
Less: Amount representing interest	<u>993.42</u>
Present value of net minimum lease payments	<u>\$10,724.58</u>

<u>Payment Dates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Lease payments</u>
2016	\$3,931.56	\$604.44	\$ 4,536.00
2017	4,205.63	330.37	4,536.00
2018	<u>2,587.39</u>	<u>58.61</u>	<u>2,646.00</u>
	<u>\$10,724.58</u>	<u>\$993.42</u>	<u>\$11,718.00</u>

**BOROUGH OF FRANKLIN, NJ**

**NOTES TO FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2015 AND 2014  
(CONTINUED)**

**NOTE 16: PUBLIC ASSISTANCE**

The Borough of Franklin has elected to have the County of Sussex process all public assistance granted to the residents. Therefore, the Borough of Franklin no longer has a public assistance director.

**NOTE 17: HEALTH INSPECTIONS**

The Borough of Franklin has elected to have the County of Sussex, Department of Health, do all the health inspections. Therefore, the Borough does not have a health inspector.

**NOTE 18: TAXES COLLECTED IN ADVANCE**

Taxes collected in advance are recorded as cash liabilities in the financial statements. Following is a comparison of the liability for the previous two years:

	Balance <u>Dec 31, 2015</u>	Balance <u>Dec 31, 2014</u>
Prepaid Taxes	<u>\$93,130.03</u>	<u>\$53,040.20</u>
Cash Liability for Taxes Collected in Advance	<u>\$93,130.03</u>	<u>\$53,040.20</u>

**NOTE 19: CONTINGENT LIABILITIES**

Previous year's and current year's Borough Counsel advises us there are no pending or unsettled lawsuits against the Borough of Franklin that would have a material effect on the financial statements.

**NOTE 20: SUBSEQUENT EVENT**

The Borough has evaluated subsequent events through May 16, 2016, the date which the financial statements were available to be issued and no other items were noted for disclosure.

**SUPPLEMENTARY DATA**

**BOROUGH OF FRANKLIN, N.J.**

**OFFICIALS IN OFFICE AND SURETY BONDS**  
**YEAR ENDED DECEMBER 31, 2015**

The following officials were in office during the period under audit:

<u>Name</u>	<u>Title</u>
Paul Crowley	Mayor
Joe Limon	Council President
Frederick Babcock	Councilperson
Robert Dabinett	Councilperson
Nick Giordano	Councilperson
Joe Martinez	Councilperson
Gilbert Snyder	Councilperson
Alison Littell McHose	Administrator; Municipal Housing Liaison
Darlene Tremont	Confidential Secretary; Administrative Assistant; Deputy Registrar
Robin Hough, RMC, CMR	Borough Clerk; Registrar
Monica Miebach	Chief Finance Officer/Qualified Purchasing Agent
Pam Crum	Finance Clerk
Theresa Schlosser	Tax Collector; Water/Sewer Collector
John E. Ursin	Borough Attorney
Angelo Bolcato	BPW and Rent Leveling Attorney
James G. Devine	Judge
Lorraine Spirito	Court Administrator
Maggie Rodriguez	Deputy Court Administrator
Eugene McInerney	Chief of Police
Brian Vandenbroek	Public Works Manager
Joseph Butto	Construction Official (Shared service - Hardyston Township)
Scott Holzauer	Tax Assessor
Thomas Knutelsky	Engineer - Harold E. Pellow & Associates
Karen Osellame	Secretary Planning and Zoning Board
Joseph Drossel	Zoning Officer
Thomas M. Ferry, C.P.A., R.M.A.	Auditor

A blanket bond in the amount of \$1,000,000 covers all other public employees who may handle Municipal monies through the Statewide Insurance Fund.

Borough of Franklin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2015

Federal Department	Federal Program	Federal C.F.D.A. Number	State Account No.	Program or Award Amount	Grant Period From/To	12/31/14		12/31/15		MEMO Cumulative Total Expenditures
						(Receivable)	Reserve Balance	(Receivable)	Reserve Balance	
CURRENT FUND (Passed through NJ Division of Highway Traffic Safety)	Drive Sober or Get Pulled Over	20.616	1160-100-066-1160-157	10,000.00	1/1/15 - 12/31/15	-	-	-	-	6,600.00
						5,000.00	5,000.00	5,000.00	3,400.00	6,600.00
(Passed through State and Community Highway Safety)	Distracted Driver Grant	20.600	1160-100-066-1160-036	5,000.00	1/1/15 - 12/31/15	-	-	-	-	5,000.00
						10,000.00	10,000.00	5,000.00	3,400.00	11,600.00
Total Department of Transportation										
U.S. Department of Housing and Urban Development	Small Cities Grant			77,600.00	1/1/06-12/31/06	-	53.29	-	-	77,600.00
U.S. Department of Justice	Body Armor Grant			765.00	1/1/14-12/31/14	-	765.00	-	-	765.00
<b>TOTAL FEDERAL AWARDS</b>							\$18.29	10,000.00	12,418.29	89,965.00

Note: This schedule was not subject to an audit in accordance with Federal OMB Circular A-133.

Borough of Franklin

Schedule of Expenditures of State Awards  
For the Year Ended December 31, 2014

Name of State Agency or Department	Name of Program	Grant or State Project Number	Program or Award Amount	Grant Period From/To	12/31/14		12/31/15		MEMO Total Expenditures
					Receivable	Reserve Balance	Receivable	Reserve Balance	
FEDERAL AND STATE GRANT FUND Department of Environmental Protection	Clean Communities Grant	4900-763-042-4900-004-V42T-6020	10,685.60	1/1/13-12/31/13		7,748.81		2,704.81	7,980.79
		4900-763-042-4900-004	10,021.68	1/1/14-12/31/14		10,021.68		10,021.68	
		12,073.46	1/1/15-12/31/15	12,073.46			12,073.46		7,980.79
		17,770.59		17,770.59			17,770.59		
		3,960.01	1/1/10-12/31/10	3,960.01				3,960.01	6,746.00
		5,409.53	1/1/11-12/31/11	5,409.53				5,409.53	3,974.07
Total NJ Department of Environmental Protection			3,937.00	1/1/11-12/31/11		3.59		3.59	3,937.00
			1,726.82	1/1/12-12/31/12		1,726.82		1,726.82	1,726.82
			1,108.27	1/1/13-12/31/13		1,108.27		1,108.27	219.89
			1,831.48	1/1/14-12/31/14		1,831.48		1,831.48	
			1,296.53	1/1/15-12/31/15		1,296.53		1,296.53	
			4,670.16			4,670.16		4,670.16	5,883.70
Department of Health and Senior Services	Alcohol Education and Rehabilitation and Enforcement		3,937.00	1/1/11-12/31/11		3.59		3.59	3,937.00
			1,726.82	1/1/12-12/31/12		1,726.82		1,726.82	1,726.82
			1,108.27	1/1/13-12/31/13		1,108.27		1,108.27	219.89
			1,831.48	1/1/14-12/31/14		1,831.48		1,831.48	
Total Department of Health and Senior Services			1,296.53	1/1/15-12/31/15		1,296.53		1,296.53	
			4,670.16			4,670.16		4,670.16	5,883.70
			10,301.80	1/1/12-12/31/12		6,254.05		3,096.07	7,143.82
			4,287.55	1/1/14-12/31/14		4,287.55		4,287.55	
Department of Law and Public Safety	Drunk Driving Enforcement Fund	6400-100-078-6400-YYYY	4,503.19	1/1/15-12/31/15		4,503.19		4,503.19	7,143.82
			10,341.60		10,341.60			10,341.60	
			856.77	1/1/13-12/31/13	856.77			856.77	1,304.97
Total Drunk Driving Enforcement Fund		1,809.98	1/1/14-12/31/14	1,809.98			1,809.98	1,304.97	
		1,512.22	1/1/15-12/31/15	1,512.22			1,512.22		
		1,594.52		1,594.52			1,594.52	1,304.97	
Total Department of Law and Public Safety		12,910.59		12,910.59			12,910.59	15,680.47	
		83,928.20		83,928.20			83,928.20	95,257.49	
TOTAL FEDERAL AND STATE GRANT FUND									
GENERAL CAPITAL FUND NJ Department of Transportation	Municipal Local Aid - High Street		183,000.00	1/1/14-12/31/14		(183,000.00)		(183,000.00)	(45,750.00)
			140,000.00	1/1/15-12/31/15	140,000.00			140,000.00	(140,000.00)
			137,250.00		137,250.00			137,250.00	(183,750.00)
TOTAL GENERAL CAPITAL FUND									
TOTAL STATE AID			83,928.20		83,928.20		83,928.20	160,316.30	95,257.49
			160,316.30		160,316.30		160,316.30	160,316.30	35,033.35

Note: This schedule was not subject to an audit in accordance with N.J. OMB Circular 15-08.

COMPARATIVE SCHEDULE OF TAX RATE INFORMATION

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Tax Rate:</u>	<u>3.572</u>	<u>3.481(1)</u>	<u>2.919</u>
<u>Apportionment of Tax Rate:</u>			
Municipal	1.211	1.182	.972
County	.551	.538	.477
Local School	1.251	1.196	.985
Regional High School	.559	.565	.485

Assessed Valuation

2015	391,758,530		
2014		392,370,021 (1)	
2013			460,989,027

(1) Revaluation Year

COMPARISON OF TAX LEVIES AND COLLECTION CURRENTLY

A study of this tabulation could indicate a possible trend in future tax levies. A decrease in the percentage of current collection could be an indication of a probable increase in future tax levies.

<u>Year</u>	<u>Tax Levy</u>	<u>Currently</u>	
		<u>Collections</u>	<u>Percentage of Collection</u>
2015	14,138,610.40	13,792,410.76	97.55%
2014	13,695,411.18	13,363,300.58	97.57%
2013	13,471,132.76	13,097,390.95	97.22%

DELINQUENT TAXES AND TAX TITLE LIENS

This tabulation includes a comparison, expressed in percentage, of the total of delinquent taxes and tax title liens, in relation to the tax levies of the last three years.

<u>Year</u>	<u>Amount of Delinquent Taxes</u>	<u>Amount of Tax Title Liens</u>	<u>Total Delinquent</u>	<u>Percentage of Tax Levy</u>
2015	375,852.40	25,241.03	401,093.43	2.83%
2014	342,748.66	68,506.17	411,254.83	3.00%
2013	319,300.93	61,028.10	380,329.03	2.82%

PROPERTY ACQUIRED BY TAX TITLE LIEN LIQUIDATION

The value of property acquired by liquidation of tax title liens on December 31, on the basis of the last assessed valuation of such properties, was as follows:

<u>Year</u>	<u>Amount</u>
2015	347,100.00
2014	61,500.00
2013	61,500.00
2012	61,500.00
2011	61,500.00

COMPARISON OF WATER/SEWER UTILITY LEVIES

<u>Year</u>	<u>Levy</u>	<u>Cash Collections</u>
2015	2,228,610.13	2,254,793.16
2014	2,263,199.53	2,251,920.85
2013	2,255,353.24	2,290,957.08
2012	2,256,460.64	2,208,282.09
2011	2,273,754.83	2,258,941.70

COMPARATIVE SCHEDULE OF FUND BALANCES

<u>Current Fund:</u>		<u>Utilized</u>
<u>Year</u>	<u>Balance</u> <u>Dec. 31,</u>	<u>In Budget of</u> <u>Succeeding Year</u>
2015	2,150,531.96	300,000.00
2014	1,613,510.49	151,360.00
2013	1,055,405.27	74,000.00
2012	277,628.74	74,000.00
2011	270,100.44	74,799.00

Water/Sewer Utility Operating Fund:

2015	1,284,886.54	94,496.00
2014	993,677.27	34,768.00
2013	745,374.34	-0-
2012	472,466.02	126,218.00
2011	461,286.59	160,000.00



**Borough of Franklin, N.J.**  
**Schedule of Cash - Treasurer**  
**Current Fund**  
**Year Ended December 31, 2015**

	<u>Ref.</u>		
Balance - December 31, 2014	A		2,724,627.87
Increased by Receipts:			
Miscellaneous Revenue Not Anticipated	A-2	57,428.96	
Taxes Receivable	A-6	13,991,644.83	
Tax Title Liens Receivable	A-7	9,244.94	
Revenue Accounts Receivable	A-9	1,079,890.93	
Due From State - Senior Citizen and Veteran Deductions	A-10	48,250.00	
Interfunds	A-11	41,645.59	
Various Cash Liabilities and Reserves	A-14	7,602.89	
Prepaid Taxes	A-16	<u>96,130.03</u>	
			<u>15,331,838.17</u>
			18,056,466.04
Decreased by Disbursements:			
Current Year Budget Appropriations	A-3	5,193,694.07	
Interfunds	A-11	33,100.15	
Appropriation Reserves	A-12	205,062.41	
Various Cash Liabilities and Reserves	A-14	138,557.00	
Encumbrances Payable -Various Reserves	A-15	4,796.92	
County Taxes Payable	A-17	2,164,167.90	
District School Taxes Payable	A-18	4,900,435.00	
High School Taxes Payable	A-19	<u>2,189,214.00</u>	
			<u>14,829,027.45</u>
Balance - December 31, 2015	A		<u><u>3,227,438.59</u></u>

**Borough of Franklin, N.J.**  
**Schedule of Cash - Change Fund**  
**Current Fund**  
**Year Ended December 31, 2015**

Balance - December 31, 2014	<u>Ref.</u> A	<u>500.00</u>
Balance - December 31, 2015	A	<u>500.00</u>
 <u>Analysis of Balance:</u>		
Tax Collector		200.00
Municipal Clerk		150.00
Court Administrator		100.00
Police Department		<u>50.00</u>
		<u>500.00</u>

Borough of Franklin, N.J.

Schedule of Taxes Receivable and Analysis of Property Tax Levy

Current Fund

Year Ended December 31, 2015

Year	Balance, Dec. 31, 2014	Levy	Collected		Senior Citizen and Veteran Deductions	Transferred to Tax Title Liens	Transferred to Property Acquired for Taxes	Canceled	Balance, Dec. 31, 2015
			2014	2015					
2002	491.91								491.91
2003	1,811.52								1,811.52
2004	1,815.96								1,815.96
2005	1,767.12								1,767.12
2006	1,878.12								1,878.12
2007	2,002.44								2,002.44
2008	2,057.50								2,057.50
2009	2,081.92								2,081.92
2010	21,643.21								21,643.21
2011	3,190.65								3,190.65
2012	3,369.90								3,369.90
2013	3,467.35								3,467.35
2014	297,171.06		9,933.71	299,024.27	(1,250.00)	5,089.94	118.35	108.62	297,171.06
	342,748.66		9,933.71	299,024.27	(1,250.00)	5,089.94	405.52	111.11	342,748.66
2015	342,748.66	13,993,614.40	144,996.00	53,040.20	13,692,620.56	46,750.00	19,556.71	92.06	342,748.66
		13,993,614.40	154,929.71	53,040.20	13,991,644.85	45,500.00	24,646.65	203.17	342,748.66
			A-2;A-16	A-2;A-10	A-2;A-4	A-7	A-8		
									A

Analysis of Tax Levy

Tax yield:	Ref.
General Purpose Tax	13,993,614.40
Added Tax (R.S. 54:4-63.1 et seq.)	144,996.00
	<u>14,138,610.40</u>
Tax Levy:	
County Tax	A-17 2,158,447.45
Added County Taxes	A-17 <u>18,807.25</u>
Local District School Tax	A-18 2,177,254.70
Regional High School District Tax	A-19 4,900,435.00
	A-2 <u>2,189,214.00</u>
Local Tax for Municipal Purposes	4,742,292.00
Additional Taxes	<u>129,414.70</u>
	<u>4,871,706.70</u>
	<u>14,138,610.40</u>

## Borough of Franklin, N.J.

## Schedule of Tax Title Liens Receivable

## Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	A		68,506.17
Increased by:			
Transferred from 2015 Taxes Receivable	A-6	19,556.71	
Transferred from 2014 Taxes Receivable	A-6	5,089.94	
Other Charges on 2015 Tax Sale		9,644.41	
Adjustment to TTL - Legal Fees		724.50	
Interest and Costs on Tax Sale		<u>1,151.61</u>	
			<u>36,167.17</u>
			104,673.34
Decreased by:			
Transfers to Property Acquired for Taxes	A-8	70,187.41	
Cash Receipts	A-2;A-4	9,244.94	
Audit Adjustment		<u>(0.04)</u>	
			<u>79,432.31</u>
Balance - December 31, 2015	A		<u><u>25,241.03</u></u>

Borough of Franklin, N.J.

Schedule of Property Acquired for  
Taxes Assessed Valuation

Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>		
Balance - December 31, 2014	A		61,500.00
Increased by:			
Transferred from Taxes Receivable	A-6	405.52	
Transferred from Tax Title Lien Receivable	A-7	70,187.41	
Add: Adjustment to Assessed Valuation		<u>215,007.07</u>	
			<u>285,600.00</u>
Balance - December 31, 2015	A		<u><u>347,100.00</u></u>

## Borough of Franklin, N.J.

## Schedule of Revenue Accounts Receivable

## Current Fund

Year Ended December 31, 2015

	<u>Ref.</u>	<u>Accrued</u>	<u>Collected</u>
Clerk			
Licenses:			
Alcoholic Beverages	A-2	10,609.50	10,609.50
Other Licenses	A-2	10,502.00	10,502.00
Fees and Permits	A-2	16,586.95	16,586.95
Municipal Court			
Fines and Costs	A-2	137,858.32	137,858.32
Tax Collector			
Interest and Costs on Taxes	A-2	72,013.20	72,013.20
Miscellaneous Revenue not Anticipated	A-2	175.00	175.00
Interest on Investments and Deposits	A-2	10,102.43	10,102.43
Beverly Hills - Solid Waste Collection	A-2	40,824.00	40,824.00
Rent - Senior Center	A-2	24,977.84	24,977.84
Antenna Lease Contract	A-2	27,071.89	27,071.89
Municipal Service Fee	A-2	58,968.00	58,968.00
Planning/Zoning:			
Miscellaneous Revenue not Anticipated	A-2	11,112.38	11,112.38
Shared Services:			
Sussex County Finance Assistant	A-2	7,428.42	7,428.42
Energy Receipts Tax	A-2	607,671.00	607,671.00
Cable TV Franchise Fee	A-2	16,972.00	16,972.00
Concetta Towers in Lieu of Taxes	A-2	15,000.00	15,000.00
Watershed Moratorium Offset Aid	A-2	4,089.00	4,089.00
Garden State Trust	A-2	7,929.00	7,929.00
		<u>1,079,890.93</u>	<u>1,079,890.93</u>
			A-4